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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6756
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1569
RUEHBY/AMEMBASSY CANBERRA 0642
RUEHKA/AMEMBASSY DHAKA 4650
RUEHNE/AMEMBASSY NEW DELHI 4181
RUEHFR/AMEMBASSY PARIS 0562
RUEHUL/AMEMBASSY SEOUL 7732
RUEHKO/AMEMBASSY TOKYO 5292
RUEHCN/AMCONSUL CHENGDU 1235
RUEHCHI/AMCONSUL CHIANG MAI 1166
RUEHCI/AMCONSUL KOLKATA 0104
RUCPDO/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 3358
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1078
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001069

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STATE FOR EAP/MLS; INR/EAP,
EAP FOR JYAMAMOTO; EEB FOR TSAEGER
PACOM FOR FPA;
TREASURY FOR OASIA: SCHUN

E.O. 12958: DECL: 10/30/2017
TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [BM](#)
SUBJECT: FRENCH COMPANY TO CONTINUE OIL AND GAS OPERATIONS
IN BURMA

REF: A. RANGOON 1036
[1](#)B. PARIS 4363

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b,d)

[1](#)1. (C) Summary. Although the European Union plans to impose new financial sanctions on the Burmese regime in light of the recent political turmoil, French-owned Total, which controls more than 31 percent of the Yadana gas fields, has no plans to pull out of Burma. Total's General Manager predicted that new EU sanctions will not affect the company's operations in Burma. The company, working with its partners in the Yadana gas field, will continue operations for the duration of its contract, which expires in 2022. If additional gas reserves remain by 2022, Total will look to extend its current contract and may consider new exploration in the M-5 and M-6 offshore blocks. End Summary.

Burma's Most Profitable Gas Field

[1](#)2. (SBU) French-owned Total signed a thirty-year production sharing contract (PSC) with the Myanmar Oil and Gas Enterprise (MOGE), the state-owned enterprise that controls oil and gas production, for offshore blocks M-5 and M-6 in [1](#)1992. In 1993, Total entered into a joint venture with American-owned UNOCAL, Thai-owned PTTEP, and MOGE to develop the Yadana gas field. Currently, Total controls 31.24 percent of the field, UNOCAL has 28.26 percent, PTTEP owns 25.5 percent, and MOGE controls 15 percent. The companies

invested more than \$1 billion into the project, building 16 wells and 5 platforms, as well as a 400 kilometer pipeline to Thailand for gas export. According to Total General Manager Martin Valeix, the Total-led consortium has made no new investments in the Yadana fields since 2000, although it does regular maintenance on the pipeline and facilities.

13. (C) According to Total, the Yadana gas fields contain more than 5.3 trillion cubic feet of natural gas, and have an expected life span of thirty years. The consortium began commercial production of gas in early 2000, and per its contract with PTTEP, exported 90 percent of production to Thailand. In 2006, output from the field averaged more than 680 million cubic feet a day; PTTEP purchased 630 million cubic feet/day while MOGE purchased the remainder. In 2006, the consortium earned more than \$800 million in revenues. Valeix commented that based on 2007 production levels, she expected revenues to total more than \$750 million this year.

14. (C) When asked how much the GOB earns from the Yadana fields, she explained that while revenues from the pipeline are divided according to percentage of ownership, production revenues are divided according to a cost sharing agreement that is based on a number of variables. In 2006, the GOB's share of the consortium's revenues was more than 50 percent, approximately \$480 million. She was unable to predict how much the GOB would earn this year, but intimated that the amount would be approximately the same.

Plans for the Future

15. (C) According to Valeix, Total has no plans to pull out of Burma, regardless of whether the EU imposes new financial sanctions. With only 15 years left on the current contract,

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she declared, the Yadana gas fields have enough reserves to remain operational. The coming years will be profitable for Total and its partners, allowing them to reap the dividends on their investment. Additionally, she argued that Total decided to stay in Burma because it wanted to promote economic development in the country, not because it supported the regime. Pulling out of Burma is not the answer, she continued, because the owner of the Yadana field would continue gas production. "Why shouldn't it be Total, since we made the investment?" she asked. Valeix debunked rumors that Total will sell its assets in Burma, and noted that no one, not even the Chinese, has approached the company with an offer to buy the contract.

16. (C) Total's PSC expires in 2022 but the company could apply for an extension if it finds there are ample gas reserves to continue production. Valeix also noted that EU sanctions allow Total to conduct new exploration in M-5 and M-6, although there are currently no plans to do so. She was not aware of EU sanctions that target European companies currently investing in Burma, and stated that any new sanctions would affect only financial services. Total will decide in ten years what its future in Burma will be, Valeix declared, noting that the political situation could dramatically change over the next decade.

No Problems With MOGE

17. (C) Valeix confirmed that several oil and gas companies, including Indonesian-French GoldFields and Burmese-owned MPRL, continue to fight MOGE for payment on gas sales (Ref A). Total, she emphasized, does not have the same problems with MOGE. According to Total's PSC with the Burmese Government, MOGE can purchase up to 10 percent of gas produced annually in the Yadana fields. Valeix explained that the onshore gas companies first provide the gas to MOGE and wait for MOGE to remit payment. Instead of obtaining payment from MOGE directly, Total, which collects revenue

from the export of gas to PTTEP and divides it among the four partners, deducts the cost of Burma's gas purchases from MOGE's share of the PTTEP revenues. This method, she emphasized, ensures Total gets paid - an agreement that the other oil and gas companies working in Burma do not have.

Comment

18. (C) Despite the wealth accumulated by the GOB from oil and gas sales -- more than \$2 billion last year alone -- conditions for ordinary Burmese continue to worsen. International NGOS working in Burma, as well as foreign investors such as Total and UNOCAL, provide humanitarian assistance for social programs throughout Burma, such as building schools, improving infrastructure, and providing health care for locals. While this assistance is invaluable, it is not enough. Sadly, Than Shwe and his crowd of generals are unwilling to use their significant revenues from oil and gas sales to address Burma's humanitarian problems. Instead, they buy arms or send their families on shopping trips to Singapore, while the vast majority face an increasingly difficult struggle to survive.

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